



Senate

General Assembly

January Session, 2011

File No. 131

Senate Bill No. 975

Senate, March 22, 2011

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT AUTHORIZING THE INSURANCE COMMISSIONER TO ENTER INTO THE NONADMITTED INSURANCE MULTISTATE AGREEMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-743 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) Every person, firm, association or corporation licensed pursuant
4 to the provisions of sections 38a-741 to 38a-744, inclusive, 38a-777 and
5 38a-794 shall pay to the commissioner on May [first] fifteenth of each
6 year a sum equal to four per cent of the gross premiums charged the
7 insureds by the insurers during the period from January first to March
8 thirty-first of that year, and on August [first] fifteenth of each year a
9 sum equal to four per cent of the gross premiums charged the insured
10 by the insurers during the period from April first to June thirtieth of
11 that year, on November [first] fifteenth of each year a sum equal to
12 four per cent of the gross premiums charged the insureds by the
13 insurers during the period from July first to September thirtieth of that

14 year and on February [first] fifteenth of each year a sum equal to four
15 per cent of the gross premiums charged the insureds by the insurers
16 during the period from October first to December thirty-first of the
17 preceding year, for insurance procured by such licensee pursuant to
18 such license, less the amount of such premiums returned to such
19 insureds, except that the premium tax shall not apply to any policy
20 issued to the state of Connecticut or any agency thereof or to any
21 policy issued to any town, or agency of such town or special taxing
22 district when said town, agency or department thereof or special
23 taxing district appears in the policy as the named insured and as such
24 is responsible for the payment of premiums shown on said policy.
25 Each licensee shall also file on May [first] fifteenth, August [first]
26 fifteenth, November [first] fifteenth, and February [first] fifteenth a
27 return, in the form described by the commissioner, showing such
28 information as the commissioner deems necessary.

29 (b) Upon failure of any person to pay the premium tax due the
30 commissioner on its due date, there shall be added thereto a penalty
31 and interest, which interest shall not be less than one per cent per
32 month or fraction of a month which elapses from the due date of such
33 premium tax to the date of payment, and which penalty shall be in the
34 amount of ten per cent of the whole or such part of the principal of the
35 premium tax as is unpaid.

36 (c) For the purposes of carrying out the provisions of the
37 Nonadmitted and Reinsurance Reform Act of 2010, Subtitle B of Title V
38 of P.L. 111-203, the Insurance Commissioner shall be authorized to
39 enter into the National Association of Insurance Commissioners'
40 Nonadmitted Insurance Multistate Agreement to (1) facilitate the
41 collection, allocation and disbursement of the premium taxes set forth
42 in subsection (a) of this section, (2) provide for uniform methods of
43 allocation and reporting among unauthorized insurance risk
44 classifications, and (3) share information related to unauthorized
45 insurance premium taxes among states.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	38a-743
-----------	---------------------	---------

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Resources of the General Fund	GF - Precludes Revenue Loss	17,500,000	17,500,000

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill allows the Department of Insurance (DOI) to take actions necessary to carry out provisions of the federal Nonadmitted and Reinsurance Reform Act of 2010. Conformance with this federal statute will allow the state to continue to collect the current surplus line premium and unauthorized insurers premium tax of 4%. This tax produces General Fund revenue of \$17.5 million annually. Of these funds \$11.3 million is collected by DOI from surplus lines brokers and \$6.2 million is collected by the Department of Revenue Services from those who procure insurance from an unauthorized insurer.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**SB 975*****AN ACT AUTHORIZING THE INSURANCE COMMISSIONER TO ENTER INTO THE NONADMITTED INSURANCE MULTISTATE AGREEMENT.*****SUMMARY:**

This bill allows the insurance commissioner to enter into the National Association of Insurance Commissioners' (NAIC) Nonadmitted Insurance Multistate Agreement (NIMA) to carry out the provisions of the 2010 Nonadmitted and Reinsurance Reform Act (NRRA) regarding unauthorized insurance premium taxes. It allows the commissioner to enter into the agreement to (1) facilitate the collection, allocation, and disbursement of premium taxes; (2) provide for uniform allocation and reporting methods among unauthorized insurance risk classifications; and (3) share information on unauthorized insurance premium taxes with other states.

By law, licensed surplus lines brokers who procure insurance policies issued by unauthorized insurers must file quarterly tax returns and pay to the insurance commissioner a premium tax equal to 4% of the gross premium charged the insured. The brokers must remit premium taxes and file the return in February, May, August, and November of each year. The bill delays the due date from the first to the 15th day of these months.

EFFECTIVE DATE: Upon passage

BACKGROUND***NRRA***

The NRRA was signed into law by President Obama on July 21, 2010 as part of The Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (P. L. 111-203, 124 Stat. 1376 (2010)). Its provisions,

most of which take effect on July 21, 2011, preempt state surplus lines laws on premium tax collection, allocation, and distribution.

Under the NRRA, no state other than the insured's home state may collect premium tax payments for surplus lines insurance. States will not be able to allocate the premium taxes paid to an insured's home state unless they adopt an interstate compact or other uniform, national tax allocation procedures.

Nonadmitted Insurance Multistate Agreement

This agreement establishes procedures for participating states' payment and allocation of premium tax revenue. It also establishes a clearinghouse for the coordination and dissemination of premium tax and transaction data related to nonadmitted insurance multi-state risks. States participating in NIMA must share tax revenue they are authorized to collect under the NRRA as the home state on a nonadmitted insurance placement.

Surplus Lines Insurance

Surplus lines insurance is property and casualty insurance coverage that is not available from licensed Connecticut insurers (also called admitted companies) and must be purchased from a non-admitted carrier. Non-admitted insurers are not licensed to transact business in the state but may still offer a line of insurance or a particular type of coverage in the state through a surplus lines broker. Examples of surplus lines insurance include commercial general liability insurance, fire insurance, mobile home policies, or medical malpractice insurance.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 17 Nay 0 (03/10/2011)